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ABSTRACT

This text teaches students about money management and is designed to help the student as he or she tries to live within limits and decide important financial questions. Students are instructed about: getting control of your money; tracking your spending; figuring your income and expenses; making your spending plan balance; making money decisions; checking accounts; balancing your checkbook; savings accounts; why use credit?; getting credit; credit cards and loans; do you have too much debt?; dealing with debt; insurance; and investing. Addresses and/or telephone numbers of eight sources of additional information are listed. The workbook consists of 11 activities that provide students with practice in applying the information to their own situations. The activities mirror the book's structure and are referenced to specific pages in the text. (YLB)

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A Quick and Easy Guide

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Control Your Money

"This book is a valuable resource. It shows that learning to manage money is as important as learning how to read."

— **Judith Cohart,** *Director of Education and Training, National Foundation for Consumer Credit*

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Control Your Money

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Preface

Information is power. Having information is the first step toward being more in control. It is a way to get more out of life.

Control Your Money was developed with Lynn Gerrity Ames, CCCC, Vice President, and Eileen D. Muhlig, Director of Education and Public Relations, Consumer Credit Counseling Service of Central New York, Inc.

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Chapter 1

Getting Control of Your Money

Do you control your money, or does your money control you? To find out, try the self-test on page 8.

If you answer True (T) to most of the questions, you are probably managing your money well. If you answer False (F) to three or more questions, you may want to make some changes.

This book can help you get control of your money. It will give you ideas on how to manage your money well. This can help you reach many of your goals, even if you don't have a lot of money.

Self-Test

I can pay for everything I really need.	T/F
I pay my bills on time.	T/F
I have a spending plan and stick to it.	T/F
I rarely worry about money.	T/F
I know how I spent my last paycheck.	T/F
I usually use cash or a check to buy things.	T/F
I save money out of each paycheck.	T/F
I know what my income will be, whether or not it's regular.	T/F
I have a plan to reach my money goals.	T/F

First of all, your money should meet your needs. These include things you can't do without. They also include payments that you must make.

You also use your money for your wants. These are things that you could do without. You buy them because you want them.

Your goals are things you want in the future. It is easier to stick to a spending plan if you know what goals you are aiming for.

There are two types of goals: short-term and long-term. Short-term goals are things you want to do in the near future.

Long-term goals are the big things that you hope to accomplish someday. It may seem as if long-term goals will never happen. Perhaps some of them won't. But if you plan for them, you can often reach long-term goals more easily than you think.

Your money should cover

- needs
- wants
- short-term goals
- long-term goals

This chart is a sample list of needs, wants, and goals.

Needs	· a place to live · utilities · basic food · basic clothes · transportation	· health care · taxes · repairs · payments on debts · childcare
Wants	· luxury food · luxury clothes · entertainment · hobbies	· magazines · books · computer · cable TV
Short-Term Goals	· buy a car · vacation	· new TV · pay off credit cards
Long-Term Goals	· buy a house · start own business	· send kids to college · retirement income

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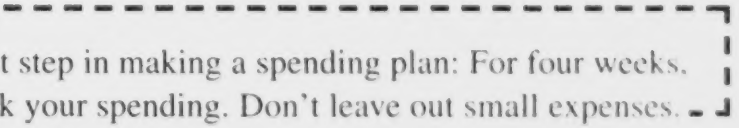
Chapter 2

Tracking Your Spending

How do you plan so you can meet your money needs, wants, and goals? The first step is to set up a spending plan.

Maybe you have tried a spending plan before. If it didn't work out, do you know why?

Perhaps you didn't plan enough for some items or had surprise expenses. Maybe your income was less than you expected. Or maybe you don't know what happened.



First step in making a spending plan: For four weeks, track your spending. Don't leave out small expenses.

A spending plan is a plan for how you will spend your income. You start by tracking what you spend now. Then you decide if you want to make any changes. So the first step is to track your current spending.

For four weeks, write down every penny you spend. You should write down major expenses, such as rent and food. You should also write down minor ones. Include the candy bar you buy, or the money for the parking meter.

Have everyone in your home track spending. After four weeks, combine the amounts.

It may surprise you to see where your money really goes. Those trips to the candy machine may add up to more than you think.

Suppose you put 65¢ in a soda machine every working day. That adds up to $13 a month or $156 a year.

Chapter 3

Figuring Your Income and Expenses

Income

Second step in making a spending plan: Figure out your average monthly income.

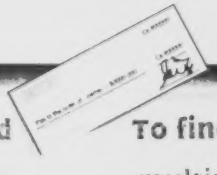
The next step in making a spending plan is to figure out your income. It's best to figure out average monthly income. That's because many bills are paid monthly.

When you figure your income, use net income. This is the amount of money in your paycheck. Income tax, Social Security, and other deductions have usually been taken out already. Net income is the money you can actually spend.

If your pay is regular

If you work, your pay is probably most of your income. But most people aren't paid once a month. How do you figure out monthly pay?

You may get a paycheck that's the same every time. If so, this chart shows how to figure that part of your monthly income:



If you're paid	To find your monthly pay
every week	multiply paycheck by 4
every 2 weeks	multiply paycheck by 2
twice a month	multiply paycheck by 2
once a month	paycheck is monthly income

If your pay varies

For some people, pay may vary. It could include tips. The hours people work may vary. They could get part of their pay from commissions. Or they may own their own

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businesses instead of getting a regular paycheck.

How do you figure out your income if your pay varies? The best way is to figure out average income. Collect all the pay stubs you can find. Add the amounts together. Then divide by the number of pay stubs. This is your average pay per paycheck. Use this amount to find your monthly pay.

What if you have a new job? Or if you expect your pay to change? Try to make your best guess about what will happen in the future. Then see how things go for a few months. Adjust your estimate if you need to.

Other sources of income

You may have other sources of income too:

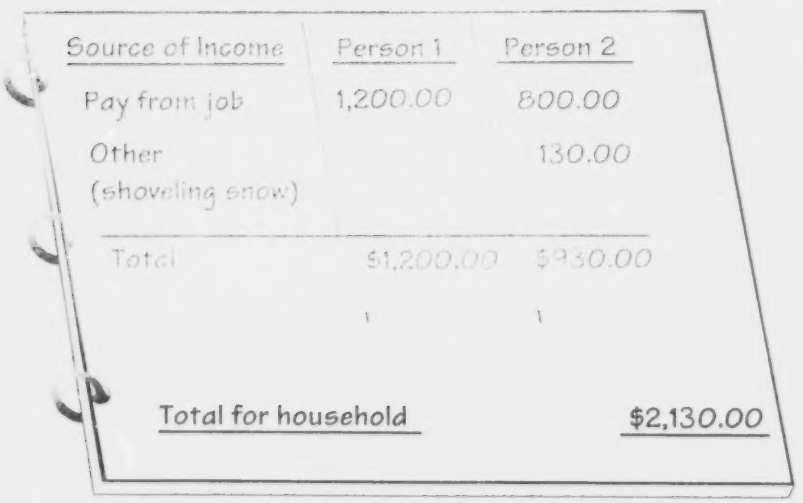
- child support payments
  (*Note:* Be sure you get child support regularly and on time before you count it.)
- disability payments
- pensions
- Social Security
- public assistance
- unemployment
- rent from property you own
- gifts or bonuses

Some of these payments might not come once a month. You need to figure all your income in monthly amounts. For each type of payment, figure out how much money you receive in a year, and divide it by 12. If the amount varies from year to year, estimate an average amount.

Total household income

Do you share income and expenses with anyone else (for example, a spouse, partner, parent, or child)? In that case, your spending plan should include all the income for your household. Add up everyone's income to get the total household income per month.

The following example shows how to list and figure total monthly income for a household with two people.



Source of Income	Person 1	Person 2
Pay from job	1,200.00	800.00
Other (shoveling snow)		130.00
Total	$1,200.00	$930.00

Total for household $2,130.00

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Expenses

Third step in making a spending plan: Figure out your average monthly expenses.

Now it is time to list expenses for your spending plan. Try to think of everything you spend money on. Your list should include things you need. You should also list things you don't need but want.

Your expenses include

- money you spend
- money you save
- money you invest
- money you give away

For help in making this list, you can look at

- the list you made to track your spending
- your checkbook register
- the list on pages 18–19

Now list the average cost per month for each expense. It's easiest to start with your fixed expenses.

Fixed expenses

Fixed expenses are payments that stay the same. They include such things as rent or mortgage payments, utilities on a budget plan, health insurance, and loan payments.

If you pay a fixed expense every month, just write down that amount.

Some expenses are fixed but not paid monthly. Car insurance is an example of this. For these expenses, figure the cost per year. Then divide by 12 to get the monthly cost. That is the amount of money you need to save each month in order to have the payment on hand when you need it. The chart below shows two examples of figuring fixed expenses:

Item: Car Insurance	Cost: $450 Paid: Twice a year Cost per year = $450 x 2 = $900 Cost per month = $900 ÷ 12 = $75
Item: Vacation Savings Plan	Cost: $15 Paid: Once a week Cost per year = $15 x 52 = $780 Cost per month = $780 ÷ 12 = $65

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Likely Expenses

HOUSING

- Rent or mortgage
- Property taxes
- Utilities
  - telephone
  - gas & electric
  - water & sewer
  - fuel oil
  - garbage pickup
  - cable TV
- Home maintenance & repairs
- Yard care & snow removal
- Home furnishing & supplies
  - appliances
  - furniture
  - cleaning supplies

FOOD

- Groceries
- Eating out

MEDICAL CARE (not covered by insurance)

- Medical care
- Eye care
  - glasses
  - contact lenses
- Dental care
- Medicines

CHILDCARE

- Baby-sitting
- Allowances

TRANSPORTATION

- Public transportation
- Tolls, parking
- Gas
- Car maintenance & repairs
- Driver's license & registration

CLOTHING

- New clothes
- Laundry & dry cleaning
- Repairs & alterations

PERSONAL

- Cosmetics & toiletries
- Haircuts
- Pet expenses
- Tobacco

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EDUCATION

- Tuition & fees
- Fees for lessons
- Books
- Room & board

RECREATION

- Vacations
- Theater & movie tickets
- Sports events
- Books
- Newspapers & magazines
- Parties & drinks
- Craft or hobby expenses

GIFTS & CONTRIBUTIONS

- Birthday & holiday gifts
- Religious contributions
- Contributions to charities

OBLIGATIONS

- Child support
- Car loan or lease payment
- Furniture & appliance loan or rental
- Payments on personal loans
- Credit card payments

INSURANCE

- Homeowner's or renter's insurance
- Health insurance
- Car insurance
- Life insurance
- Disability insurance

SAVINGS & INVESTMENTS

- Savings account or CDs
- Savings plan for college
- Retirement plan

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Variable expenses

Next, look at your variable expenses. These expenses change from month to month. Since the amounts vary, what should you write down?

Some expenses, like groceries, vary a little. For this kind, look up how much you spent in the last three months. Divide this amount by three to get your average monthly cost.

This method won't work for every expense. Some vary too much throughout the year, for example, gifts. Figure how much you spent in the last year on these items. Then divide by 12.

Other expenses, like health care, can vary a lot from year to year. For such items, add up costs for the last three years and divide by 36.

This chart gives some examples:

Expense varies	Look up cost for	Divide by	Example	Calculation	Average monthly cost
month to month	last 3 months	3	Groceries - $672 for last 3 months	$672 ÷ 3	$224
within a year	last year	12	Gifts - $540 for last year	$540 ÷ 12	$45
year to year	last 3 years	36	Medical care - $9,684 for last 3 years	$9,684 ÷ 36	$269

Now you have a list of all your average monthly expenses—fixed and variable. The total is the amount you spend per month.

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Chapter 4

Making Your Spending Plan Balance

Final step in making a spending plan: Balance the spending plan. Then adjust it to meet your needs, wants, and goals.

Now that you've listed income and expenses, you're done collecting information. Look at your average monthly income and expenses. Are the amounts close?

You want your income and spending to be close. But they will not often match exactly. It's hard to predict income and expenses exactly.

The point of a spending plan is to be sure the two don't differ a lot.

Your spending plan now lists your income and expenses from the past. Now you want to turn it into a plan for the future. The first step is to balance the plan.

If Your Spending Plan Doesn't Balance

If your total expenses closely match your income, your spending plan already balances. But if the two sums don't match, you'll need to work to balance it.

What if your income is larger than your expenses? You could have extra money. You could save or invest more money. Or you could increase the amount you spend on some things.

But maybe you forgot to include some expenses. Search your records and your memory to see if this happened.

If your total expenses are larger than your income, you have two choices. You can cut your spending. Or you can increase your income.

Are you in debt? Having trouble balancing your spending plan? You'll find more information in Chapter 13, page 74.

Cutting Expenses

If you decide to cut spending, it is easier to cut variable expenses. It is also easier to cut things you want rather than things you need. For example, it is easier to spend less on clothing than to cut down on rent.

But if you have big cuts to make, you may want to cut fixed expenses. You could move into a less expensive apartment. If your area has public transportation, you could sell your car and start riding the bus.

Increasing Income

Suppose you decide to increase your income. Here are some possible approaches:

- Look at your payroll deductions. Are you having too much money taken out? (Check with an expert.)
- Find a higher-paying job.
- Take a second job.
- Work more overtime if possible.
- Start your own business on the side.
- If you own rental property, increase the rent if possible.

Adjusting Your Spending Plan

Once your spending plan is balanced, look at it carefully. Do you want to make any changes? Would you like to spend less on some things? More on other things? Are you saving as much as you need? This is a good time to think about your goals. Are you saving enough to reach them? Or do you need to reduce other expenses?

There are no right or wrong answers here. You adjust your spending plan to match your needs, wants, and goals.

Here are some examples of adjustments:

- You want to buy a house in five years. You will need $3,000 for closing costs. You need to save $50 more a month. You cut back on eating out.
- You want health insurance. You can get into a group plan through your union. The cost is $200 a month. You cut your variable expenses, but it's not enough. You move to a less expensive apartment.
- You need dressier clothes for your job. You decide to spend $30 more each month on clothes. You will spend less on gifts.
- You spend nearly $10 a week on snacks at work. You decide this is too much. You start bringing snacks from home. You put the extra money in a savings account.

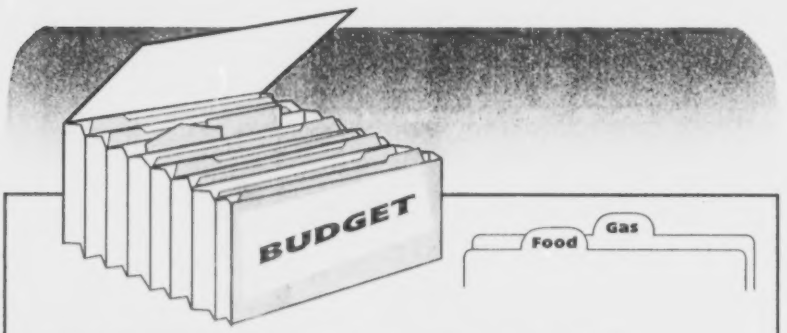
Saving Money for Bigger Expenses

Now you know how much each item in your spending plan costs. You can put money aside from each paycheck for your expenses.

You save a little each month. When your insurance comes due, you won't have to take that amount out of one paycheck.

But where should you keep the money for different expenses? If you lump it all together, it will be hard to keep track of.

The system shown below might work for you. Where you keep the money for an expense depends on how often you need to pay that expense.



HOW OFTEN	PAY BY	KEEP MONEY IN
every day or every week	cash	budget envelopes. Use one envelope for each item.
every few weeks or every month	check	checking account
every few months or every year	check	savings account (so the money will earn a little interest). Transfer money to checking account when expense is due.

This system works for regular expenses. What about the money you save for your goals? Have special savings accounts for this money. (Chapter 8, page 48, is about savings accounts.) You could have one account for long-term goals and another for short-term goals.

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Chapter 5

Making Money Decisions

There are lots of little ways to save money. Here are some ideas.

Smart Shopping

- Do your homework before making a major purchase. Find out as much as you can about different brands and models. Read consumer magazines. Talk to friends.
- Shop around. Find out how much an item costs at different stores in your area.
- Think about service. Some items, such as TVs and computers, may need service.

Which stores offer the best service? That might be worth paying a little extra for.

- Buy items on sale when you can.
- Shop at yard sales if you can.
- Buy at the cheapest time. Prices of some products rise and fall according to the season. Try to buy major items when the prices are lowest. This chart shows the best times to buy certain items.

For the best deals on:	Try shopping in:
appliances	January
lumber, building materials	June
new cars	August, September
used cars	February, November, December
Christmas gifts	January-October
linens	January, May
school clothes and supplies	August, October
tires	May, end of August
air conditioners	February, July, August
TVs	May, June

- Buy quality if you need something to last. Something that is made well will last longer.
- Don't pay for more quality than you need. For example, if your toddler needs shoes, the higher-priced ones might last longer. But she'll outgrow them in a few months.
- Consider buying in quantity if the price per item is lower. But don't buy more than you can store.

- Don't buy more than you can use. You waste money if the item goes bad.

- Use a list when you shop. Stores display small items that people buy on impulse. Don't buy them unless you need them.
- Use coupons—but only if you planned to buy the item anyway.
- Buy store brands instead of name brands.
- Buy produce in season—it costs less.
- Don't let ads convince you to spend more than you planned to. Ask yourself if you really need the product or service.

Saving Money on Energy

- Turn down the heat or air conditioning at night and when you're not home.
- Combine shopping trips.
- Take shorter showers.
- Do some laundry in cold water.
- Put plastic on windows to keep heat in.
- Use old rugs and towels to seal cracks under doors.
- Get a special insulating blanket for your hot-water heater.

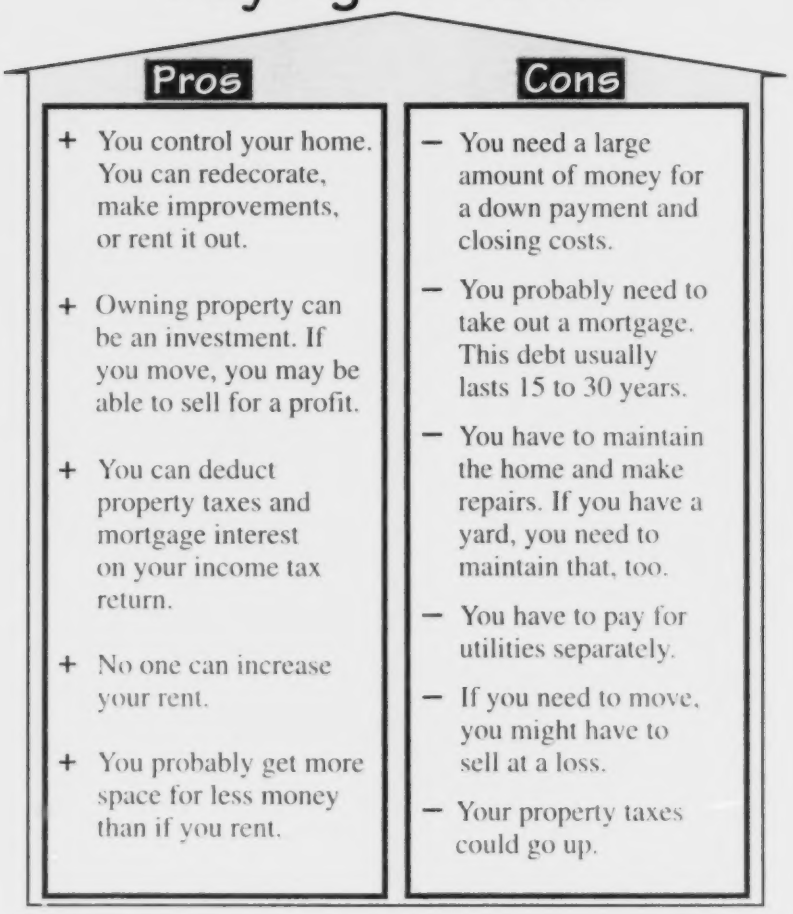
Tips on Buying a Car

A car is a major purchase. Follow these tips to make the best use of your money:

- Decide if you want a new or used car. A used car may be cheaper to buy. But you could wind up spending more on repairs. A new car may be more reliable and have a warranty. But your car payments will be higher.
- Decide what features you really want. Don't pay extra for things you don't need.
- Check out the model you're interested in. How reliable is it? Do you know anyone who owns that type of car? What do consumer magazines say?
- Find out where you can get the car serviced. Is it convenient for you?
- Shop around. How much can you afford to spend? How much are you willing to pay for the car you want? Make your best offer to as many dealers as possible.
- If you need a car loan, shop around for that, too. Credit unions and banks may offer better financing than a dealer.
- If you have an old car, try to sell it yourself. You'll probably get a better deal than if you trade it in.

Should You Buy a Home?

For many people, a home is the biggest purchase they ever make. Is buying a home right for you? Here are some pros and cons to consider:


Buying a Home
Pros
+ You control your home. You can redecorate, make improvements, or rent it out.
+ Owning property can be an investment. If you move, you may be able to sell for a profit.
+ You can deduct property taxes and mortgage interest on your income tax return.
+ No one can increase your rent.
+ You probably get more space for less money than if you rent.
Cons
– You need a large amount of money for a down payment and closing costs.
– You probably need to take out a mortgage. This debt usually lasts 15 to 30 years.
– You have to maintain the home and make repairs. If you have a yard, you need to maintain that, too.
– You have to pay for utilities separately.
– If you need to move, you might have to sell at a loss.
– Your property taxes could go up.

Chapter 6

Checking Accounts

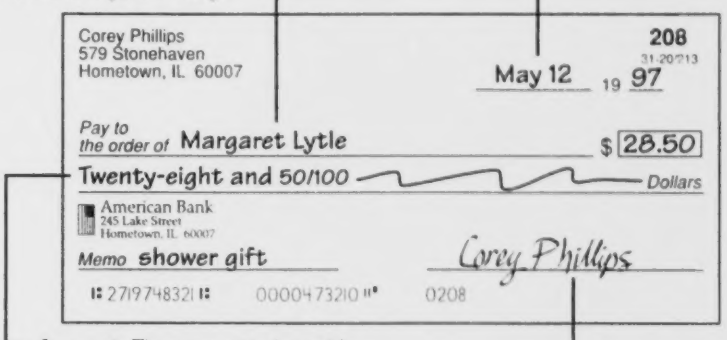
A checking account is a place to put money that you don't expect to have long. You deposit money into a checking account. Then you pay your bills with that money by writing checks.

A check is an order you write for payment. The bank takes the money out of your account when your check is presented.

How to Write a Check

Payee: The person or company you are paying. You can make out a check to yourself. You can also make it out to "Cash," but that's risky. The bank will cash it for anyone. If it's stolen, you could lose your money.

Date: The day you write a check. A bank may refuse to pay a check that is more than six months old.



Amount: The amount to be paid. You write this in both words and numbers. If words and numbers don't agree, the bank may use the amount written in words. Or it may return the check for you to correct. If someone else changes the amount, the bank should not cash the check. If it does, it must refund your money.

Signature: Your signature approves the payment. If someone else signs your name to a check, it is a forgery. You are usually not responsible if the bank cashes a forged check. You can ask the bank to refund your money.

How to Cash a Check

Before cashing a check made out to you, sign your name on the back. Your signature must appear within 1 ½ inches of the end. You can also write "for deposit only" and your account number above your signature. This insures that the money goes into your bank account.

Look at the example at the top of page 35.

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Paying by Check

In many cases it is better to pay bills with a check than with cash. Paying by check is safer when you pay through the mail. It is not safe to send cash through the mail.

You may also want to pay large bills by check, even if you pay in person. You may not feel safe carrying a large amount of cash.

The payee cashes your check at the bank. The bank takes the money out of your account. Many banks then mail the check back to you. A check that has been paid is called a canceled check. You can use the canceled check to prove you paid.

Some banks don't send checks back to you. Instead they send a list of the checks they have paid from your account. If you need a check as proof of payment, the bank will send you a copy. Some banks charge you for this service.

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Each checkbook has a place to record the checks you write:

- a separate register,
- check stubs, or
- a carbon copy of each check.

You use this place to record the payee, the date, and the amount of each check.

You should also use your record of checks to keep track of how much money is in your account. This is called your balance.

Choosing a Checking Account

There are different types of checking accounts. One bank may offer several kinds.

- Some accounts are free. There is no service fee. But it's not easy to find a free checking account.
- For some accounts, the bank charges a service fee by the month, by the check, or both.
- Some accounts are free if you keep a minimum balance. This amount is at least a few hundred dollars.
- Some accounts pay you interest on your money. The interest rate is often low.

When you want to open a checking account, find out what types are offered by local banks. Look at these features:

Fees. How much will the account cost you?

Restrictions. What restrictions apply to the account? Is there a minimum balance? A limit on how many checks you can write? How soon can you use money after you deposit it?

Location. Is the bank near your home or work?

Convenience. What hours is the bank open? Will you be able to get there during its business hours?

Other services. Does the bank offer services you are interested in? Overdraft protection? Credit cards? Debit cards? Pay-by-phone service?

Overdraft protection:
The bank pays your checks even if you don't have enough in your account. The bank loans you the extra money. It charges you interest until you pay the loan back. You have to apply for this service.

Debit card:
You can use a debit card like a credit card. The payment comes out of your bank account right away.

Pay-by-phone service:
You can pay bills by calling the bank. You tell the bank how much to send for each bill.

Once you choose a bank and open a checking account, you will have to buy your checks. You can buy them through the bank. You can also get checks from other sources. They include printing companies and nonprofit organizations. Checks from these sources often cost less.

If you share expenses with someone else, you may want to open a joint account. The account will have both names on it. Either of you can make deposits, write checks, and make withdrawals.

Stopping Payment

What if you decide you don't want the bank to pay a check you wrote? Or you lose a check? You can give the bank a stop payment order. You can do this on the phone or in person. The bank will charge you a fee to stop payment.

It's important to make the stop payment order as soon as you find a problem. You have to contact the bank before the check is paid. If you wait too long, you could lose your money.

Bouncing a Check

A check bounces if you don't have enough money in your account to cover it. Many people bounce checks because they make a mistake. Sometimes the bank makes a mistake that causes a check to bounce. (*Note:* Bouncing a check on purpose is a crime.)

These things can cause checks to bounce:

- You don't keep track of how much money is in your account.
- You keep track, but you make a mistake in doing the math.
- A deposit doesn't clear before checks are presented against it.

Federal rules set how quickly banks must clear deposits. Some deposits are available the next day. Some can take up to five days. If you make your deposit at an ATM, it may take longer.

If it's your mistake, bouncing a check can be costly. The bank will charge you a bounced check fee. The payee may also charge you.

If the bank makes a mistake, it won't charge you a bounced check fee. It may explain to the payee that the problem wasn't your fault.

To avoid bounced checks, keep careful track of how much money is in your account. Subtract your checks as you write them. Wait for a deposit to clear before you write checks against it.

ATMs

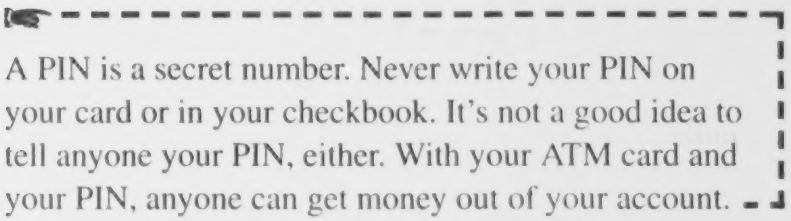
You can use an ATM (automated teller machine) card to get money from your checking account. Banks provide ATM cards with most checking accounts.

An ATM card is a plastic card. It has a number on the front and a magnetic stripe on the back. With it, you can withdraw cash from your account. You can also perform other transactions.

You can use an ATM at your bank. You can also use other ATMs, if they are part of the same ATM network as your bank.

To use an ATM:

1. Insert your ATM card. The screen display asks for your personal identification number (PIN).
2. Enter your PIN. The screen asks what you want to do.



A PIN is a secret number. Never write your PIN on your card or in your checkbook. It's not a good idea to tell anyone your PIN, either. With your ATM card and your PIN, anyone can get money out of your account.

3. Choose the transaction you want. You can usually choose
   - withdrawing cash from your checking or savings account
   - depositing checks into your checking or savings account
   - transferring money between accounts
   - checking your account balance or your credit card balance
   - some other transactions

credit card balance: the total amount you owe on a credit card
account balance: the amount of money you have in a bank account

4. When you finish all your transactions, the ATM returns your card. It also gives you a receipt. Keep the receipt to check against your bank statement. Be sure to record the transactions in your checkbook or savings account records, too.

Your bank may charge you a fee every time you use an ATM. There may be no fee if you use an ATM at your own bank. But you may be charged if you go elsewhere.

Money Orders

If you don't have a checking account, money orders may be an option for paying your bills. You can buy money orders at banks, post offices, and other places. You pay the amount of the money order, plus a fee. The amount is printed on the money order. You fill in the payee's name and address and your name and address. Then you sign the money order and send it.

Money orders can be useful once in a while. But they do have drawbacks:

- You have no record of when the money order is cashed. This means you can't prove the payee got the money.
- You can't stop payment once you send a money order.
- The amount of a money order is limited. Ask the seller what the limit is.
- You may have to pay a fee for each money order.

If you'll be paying many bills, a checking account is probably a better option for you.

Chapter 7

Balancing Your Checkbook

To keep track of your checking account, you record checks, withdrawals, charges, and deposits. But that isn't enough. When you get a bank statement, you should balance your checkbook. This means making sure you agree with the bank about how much money is in your account.

The bank sends you regular statements about your account. The statement shows the deposits you have made, the checks that have been paid, and the following items:

- service fees
- bills you paid by phone
- fees for bounced checks
- withdrawals you made through an ATM
- automatic withdrawals, such as loan payments or savings club deductions
- payments you made with a debit card (Page 54 includes information about debit cards.)

To balance your checkbook, use the chart on page 46. Use a calculator if you can.

If the two totals match, you are done. Your checkbook is balanced. If not, take these steps:

- Compare each canceled check to the bank statement. Make sure the amounts match. If they don't, you will have to call the bank to correct the problem. If your bank keeps the canceled checks rather than sending them back, you can compare the bank statement to your checkbook.
- Compare the amount of each check to the amount written in your checkbook. If you wrote down the wrong amount, correct it. If you forgot to write down a check, include it now. Adjust your balance.
- Compare deposits against the bank statement. Make sure the amounts match. If they don't, you can use the deposit slip to show the bank how much you deposited.

STEP 1		
Start with new balance from bank statement		$ _____
Subtract checks and other withdrawals from your checkbook not listed on the bank statement	—	$ _____
Add deposits from your checkbook not listed on the bank statement	+	$ _____
Adjusted bank statement balance:		$ _____

STEP 2		
Start with balance from your checkbook		$ _____
Subtract any fees and other deductions on the bank statement not listed in your checkbook *	—	$ _____
Add any interest or other deposits on the bank statement not listed in your checkbook *	+	$ _____
Adjusted checkbook balance:		$ _____

If the results of Step 1 and Step 2 are the same, your checkbook balances.

* *Be sure to put these amounts in your checkbook register each month after you balance your checkbook.*

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You should save your deposit slips throughout the month. That way you can check them against the bank statement.

- Compare the withdrawals that appear on the bank statement with those you have written in your checkbook. Be sure you haven't forgotten any withdrawals.

After you've done all this, your checkbook should balance. If it still doesn't, check everything again. Also check for these errors:

- Did you make a math mistake in your checkbook? Use a calculator if you can.
- Check the balance you carried from page to page in your checkbook. Did you write the wrong amount?

If the two totals still don't match, take your checkbook and statement to the bank. Ask for someone to help you balance your checkbook. The bank may charge a fee for this help.

Bank statements are usually right. But if you find a bank error, report it as soon as possible. If you don't, you could lose money.

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Chapter 8

Savings Accounts

When you save, you make progress toward your money goals. You also set aside money for emergencies.

Experts give these tips on saving money:

- Save something out of each paycheck, even if it's only a little.
- Think of savings as a bill you pay yourself. Pay yourself first.
- If you can, have your savings deducted from your paycheck before you get it.
- Don't put so much into savings that you don't have enough to live on.

- Once you put money into savings, forget it exists. Don't use it to pay day-to-day bills.

Banks offer different kinds of savings accounts. Most bank accounts are insured by the government. You won't lose your money even if the bank fails. The chart on page 51 gives information on some common types of savings accounts.

You will probably start saving by putting money in a regular savings account. The account may be at a bank or a credit union.

When you have enough money, you might want to put some savings into certificates of deposit, called CDs. They earn more interest. A CD is a type of investment. For more on investing, see Chapter 15, page 87.

You can buy CDs at your bank. A CD is a promise to leave your money in the bank for a certain length of time. The bank pays higher interest on CDs because it can plan on having the money for that amount of time. At the end of that time, the CD matures, and you can withdraw the money. If you cash in a CD early, you'll have to pay a penalty.

You can buy CDs in different amounts. The lowest is usually $500. You can also buy them for different periods of time. CDs with longer terms pay higher interest.

You may decide to buy more than one CD. If so, try to make sure they mature at different times. That way you will always have money available if you need it.

Types of Savings Accounts

Experts suggest that you keep between three and six months' pay in regular savings accounts and CDs. This should be enough for emergencies. The chart on page 51 lists some common types of savings accounts.

If you have more than that, consider other types of investments. Other investments will often pay more interest.

	Regular savings accounts (also called deposit accounts)	Savings clubs	CDs (certificates of deposit)	Money Market accounts
Description	➧ You deposit money whenever you want. ➧ You may have a passbook that shows your balance. Or you may get a regular statement from the bank.	➧ You deposit a fixed amount every week. ➧ The account helps you save for a special purpose: holiday gifts or vacation.	➧ You deposit $500 or more. ➧ You agree to leave the money for a certain period (from a month to 5 years).	➧ You deposit a large amount to open the account. ➧ The bank pays you interest based on the money market. ➧ You can write a few checks each month.
Pros	+ Your money earns interest. + You can withdraw your money any time. + The bank may raise your interest if rates go up. + The bank may give you free checking if you have a savings account.	+ You can save for big expenses a little at a time.	+ You get higher interest than with regular savings. + Your interest rate stays the same, even if rates go down. + You can use CDs to plan for future money needs.	+ You get higher interest than with regular savings. + Your interest rate can go up.
Cons	– CDs and Money Market accounts pay more interest. – You may need to keep a minimum balance. – The bank can lower your interest if rates go down.	– Your money may not earn interest.	– Your money is tied up for a specific period. – You pay large penalties if you withdraw it early. – Your interest rate stays the same, even if rates go up.	– You have to keep a large minimum balance. If you don't the bank charges high fees. – Your interest rate can go down. – These accounts are usually not insured.

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Chapter 9

Why Use Credit?

When you use credit, you are borrowing money. You have to pay back the amount you borrowed, plus interest. Interest is the cost of using credit.

Common kinds of credit include

- bank loans
- store credit cards
- bank credit cards (such as MasterCard and VISA)
- major charge cards (such as American Express)
- mortgages

The sooner you pay back the money, the less interest you have to pay.

Before you buy something, decide whether you want to pay now or use credit. The chart on this page sums up things to consider.

Pay Now: **Advantages**	**Use Credit:** **Advantages**
✔ You can't spend more money than you have.	✔ You can buy and use things now, instead of having to save for them.
✔ You don't have to pay interest.	✔ You can sometimes buy something on sale and save money, even if you don't have the cash.
✔ You can shop anywhere you want.	✔ You can buy things that most people are never able to save the cash for. A house is a good example.
✔ You don't risk buying something that you may not be able to pay for.	

What if you plan never to borrow money? You still may want to have a credit card. It's often easier to pay by check if you can show a credit card as ID. And it is harder to rent a car without a credit card. Some people use their credit cards only as ID.

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Protect your money from thieves: If you use a credit card for ID, don't let anyone write down the number. Also, don't give your credit card number or checking account number to someone who calls you on the phone.

It can also be a good idea to have a credit card for emergencies. What if you didn't have enough cash and

- your car broke down far from home?
- you had to travel to another city for a family emergency?
- you needed cash on a weekend and didn't have an ATM card?

You can use a credit card for all these things.

What if you still don't want a credit card? Or you have trouble getting one? You might want to consider a debit card. A debit card looks and works like a credit card. But the money comes right out of your checking account. You don't get a bill or have to pay interest.

When you use a debit card, the money must already be in your account.

Chapter 10

Getting Credit

The Three Cs

When you apply for a loan or a credit card, lenders judge whether you will repay your debt. They are concerned about three *C*s:

Capacity. Can you repay this loan? How much do you earn? How long have you been at your job? How much do you owe?

Character. Can you be trusted to pay your debts? What is your credit history? Do you pay your bills on time?

Collateral. Do you own property that could back up the loan?

Building a Credit History

It can be hard to get credit for the first time. Since you have no credit history, lenders don't know whether they can depend on you.

Here are some ways to build your credit history:

- Have a steady work record.
- Pay your bills on time.

- Keep your utility bills.
- Keep a checking account. Don't bounce checks.
- Keep a savings account. Make regular deposits.

Once you've done these things, apply for a local store credit card. (This is easier to get than a major credit card.) Use the card a few times. Make sure you pay the bill on time.

You can also apply for a small loan. Use your savings account as collateral. Pay back the loan on time.

Asking Someone to Co-Sign

You may need a bigger loan for a car or other large purchase. You could be turned down if you have no credit history.

If this happens, you can ask someone to co-sign the loan. This person should be a relative or close friend with a good credit history. A co-signer promises to pay back the loan if you don't.

☛ Remember, any time you borrow money, make all the payments on time.

Should You Co-Sign?

If you have a good credit history, someone may ask you to co-sign a loan. Think carefully before you agree. Ask yourself these questions:

- Why does this person need someone to co-sign? (If it is because of a bad credit history, be careful. You could get stuck paying off the loan.)
- Can I afford to make the payments if this person doesn't?
- Will I still be able to get the credit I need if I co-sign for this loan?
- Can I depend on this person? Does this person have a steady income?

If You're Turned Down for Credit

What if you're turned down when you apply for credit?

Anyone who turns you down must

- send you a written denial letter
- give you in writing the reasons you were rejected, or tell you how to request those reasons

- give you the name and address of any credit reporting agency that provided a credit report on you
- tell you what other information was used, if any

Check the information used to be sure it's all correct. If there are mistakes, write to the lender about them.

Credit reports

Lenders often use credit reports. These reports come from credit reporting agencies.

Credit reporting agencies find out how much money you owe. They also find out if you pay your bills on time. They provide this information to lenders and others who have your permission.

Credit reporting agencies collect information from

- public records
- retail stores
- credit card companies
- banks and other lenders

A credit reporting agency may give information to someone who is thinking of

- lending you money

- giving you a credit card
- selling you life insurance
- hiring you
- renting you an apartment

A credit report costs between $5 and $20. But if you've been turned down for credit or a job in the last 30 days, it is free.

Checking your credit report

You can check your credit report. You can contact the credit reporting agencies listed in Chapter 16, page 94. Or look in the yellow pages under "Credit Bureaus" or "Credit Reporting Agencies." Call each company and ask the cost of a report.

To get a credit reporting agency's information about you, send the agency a written request along with your payment. Include

- your full name, and any other names you have used
- your current and most recent previous address, with zip codes
- your spouse's name, if you are married
- your Social Security number

- your year of birth
- your signature

What if you've never been turned down for credit? It's still a good idea to check your credit report once in a while. You can make sure that everything in it is correct.

Correcting your credit report

What if you find an error on your credit report? You have the right to dispute it.

To ask for a correction, write to the credit reporting agency. Explain the error. You should also write to the company that supplied the wrong information. Be sure to contact each credit reporting agency that has an error in its report.

The credit reporting agency will check your story. If it agrees with you, it will correct the report.

Check your credit report again in 90 days to be sure the mistake has been corrected.

Sometimes the credit reporting agency will not agree with you. If it doesn't, it does not have to change your credit report. But you can make a 100-word consumer comment to explain your side. The credit reporting agency must include your comment in future reports.

Example: You bought a VCR on credit. It didn't work. You refused to pay until the store fixed it. Now your credit report says you paid the bill late. You can get your side of the story into the report.

Bad credit history

You can't erase a bad credit history. Most facts stay on your record for seven years. If you go bankrupt, that fact can stay on your record for 10 years. (Chapter 13, page 74, discusses bankruptcy.) Some companies say they can fix a bad credit history. Don't believe it. Nothing but time can do that.

Chapter 11

Credit Cards and Loans

Credit Cards

Suppose you want a credit card. How do you decide which one? Ask yourself, "How am I going to use this card?"

Not all credit cards have the same terms. The differences will affect how much the card costs you. The terms include

- annual percentage rate (APR)
- grace period
- annual fee
- transaction fees

The APR is the interest rate, measured by the year. The APR on major credit cards can vary a lot. On some it is as low as 9 percent. On others it can be as high as 22 percent. Introductory rates may be lower, but usually go up after a stated period.

The grace period is the time you have to pay your bill before you are charged interest. Some credit cards do not have a grace period. That means you owe interest from the moment you charge something.

☛ Be aware of the difference between credit cards and charge cards. With a credit card, you can pay off your balance over time. You'll pay interest on the balance. With a charge card, you must pay the whole balance when you get the bill.

The annual fee is a yearly charge for having the card. For most cards the fee is between $15 and $50. Some cards have no annual fee.

You pay a transaction fee when you miss a payment, go over your credit limit, or use the card to get cash. Some cards charge a monthly fee whether you use the card or not.

How do you pick the right card for you? Think of how you will use your card. The table on page 65 has some suggestions.

How You Use Your Card	Most Important Features
You use your card for ID. You rarely use it to buy anything.	**Low or no annual fee** **No monthly fee**
You pay off your whole balance every month.	**Long grace period**
You carry a balance from month to month.	**Low APR**

Closing your account

Suppose you have a credit card you never use. It may be a good idea to close the account. Cut the card in half and throw it away. Pay off the balance of your account. Then write to the company and say you want to close the account. Ask the company to send verification that the account is closed.

You may want to close credit card accounts if you find you're charging too much. It will keep you from running up more debt.

Loans

You want to buy something big—perhaps a car or a house. Should you take out a loan? How much will it cost?

Banks, credit unions, and other lenders offer many different kinds of loans. This section covers some loan basics, but it doesn't include everything.

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If you're thinking of borrowing, it's important to get expert advice. Be sure you know what's involved before you sign anything. You may want to consult an expert—a financial planner, credit counselor, or loan officer at a bank.

Loan basics

When you borrow, you agree to pay back the money with interest. Can you afford it? You need to look at these four factors:

- monthly payments
- interest rate
- length of the loan
- fees

Experts say your monthly loan payments should total no more than 10 percent of your monthly take-home pay. (Don't count mortgage payments in this total.)

Find out what the monthly payments will be. Can you afford to make them?

If you take out a car loan, you have to pay it off, even if the car is stolen or destroyed.

The lower the interest rate, the cheaper the loan—all other things being equal. Some loans have variable interest rates. The starting rate is usually lower than on fixed rate loans. But your payments can get higher over time.

A loan with a shorter term will have higher monthly payments. But the total amount will be less. This table shows the costs of two loans for the same amount at the same interest:

Loan Amount	Interest Rate	Term	Monthly Payment	Total Paid
$13,500	12.5%	3 years	$451.62	$16,258.32
$13,500	12.5%	5 years	$303.72	$18,223.20

The longer loan costs almost $2,000 more.

Most lenders charge fees as well as interest. Fees can quickly increase the cost of a loan. Some lenders charge a penalty if you pay off a loan early.

By law, a lender must give you a Truth-in-Lending Disclosure Statement. This statement shows how much you're borrowing. It also

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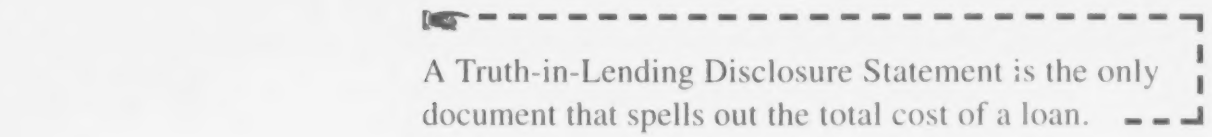
shows how much you must repay—including interest and fèes.

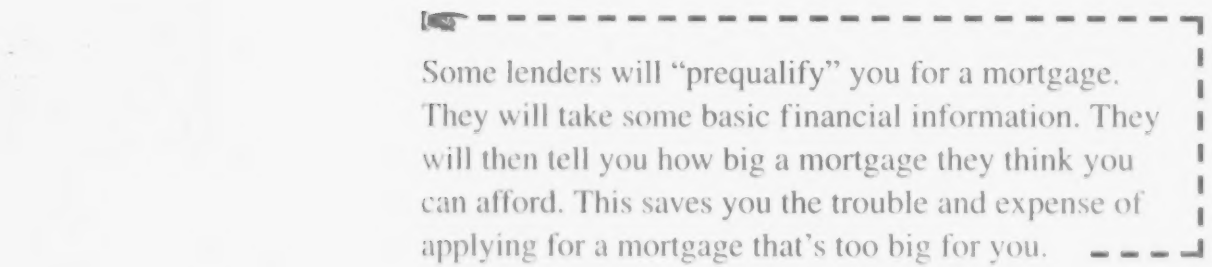


A Truth-in-Lending Disclosure Statement is the only document that spells out the total cost of a loan.

Mortgages

Most people need to borrow if they buy a home. This kind of loan is a mortgage. In general, mortgages have terms of 15 to 30 years.

Your monthly mortgage payment includes the loan payment (principal and interest), property taxes, and homeowner's insurance. It may also include private mortgage insurance.

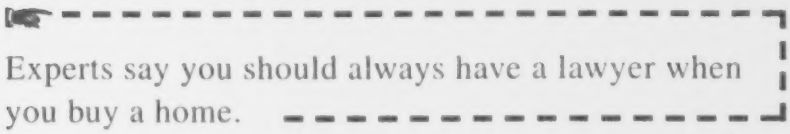


Some lenders will "prequalify" you for a mortgage. They will take some basic financial information. They will then tell you how big a mortgage they think you can afford. This saves you the trouble and expense of applying for a mortgage that's too big for you.

You pick a mortgage lender once you've

- found a home you want
- agreed on a price
- signed a contract to buy the home
- paid a deposit

To find out about mortgage lenders, check ads in the newspaper real estate section. You can also ask friends and coworkers, your real estate agent, or your lawyer. Find out which lenders they think are good.



Experts say you should always have a lawyer when you buy a home.

There are also special mortgage programs:

- Veterans Administration (VA) mortgages help veterans to buy houses. Down payments are often very small.
- With Federal Housing Administration (FHA) mortgages, you may need only a 5% down payment.
- Many state programs give first-time home buyers a lower interest rate.

Suppose you've found a mortgage lender. The next step is to fill out a mortgage application. On this form, you supply detailed financial information. You pay application costs—usually several hundred dollars. (*Note:* You won't get this money back, even if you don't get the mortgage.)

It may take a few weeks for the lender to process your application. If the lender approves

you for the mortgage, you'll get a commitment letter. The letter tells

- how much money you can borrow
- the length of the mortgage
- how long you have to accept the offer

Closing

The final step is the closing. This is a meeting of the buyer, seller, lender, their lawyers, and others. At the closing, the buyer signs the loan papers and pays the closing costs. Closing costs include the down payment, less any deposit. They also include many taxes and fees. The taxes and fees can add thousands of dollars to closing costs. Your lawyer can estimate your closing costs for you.

At the end of the closing, you get the keys to your new home.

Chapter 12

Do You Have Too Much Debt?

Most people borrow money sometimes. Many people are able to handle their debt. They repay their loans on time. They make more than the minimum payments on their credit cards.

But some people have too much debt. Why does this happen? Here are some common reasons:

- They lose their job.
- They get sick and can't work.
- Their household loses a wage earner through divorce or death.

- They need money for an emergency.
- They don't know how to manage their money.
- They buy more things than they can afford.

How do you know if you have too much debt? Try the self-test below.

If you answer True (T) to more than one or two questions, you could have a problem with debt.

Self-Test

Too Much Debt? Warning Signs

I don't know how much I owe.	T/F
I pay only the minimum amounts due each month.	T/F
I often pay bills late.	T/F
My total debt rarely shrinks.	T/F
I can't pay all my bills each month, so I rotate payments.	T/F
I've taken out a new loan to pay old loans.	T/F
I often use the line of credit on my checking account.	T/F
I use credit for items that I used to buy with cash.	T/F

Self-Test, continued

I rely on overtime pay to make ends meet.	T/F
More than 20 percent of my take-home pay goes for debt payments. (This doesn't include mortgage payments.)	T/F
I spend more than I earn.	T/F
I would have financial problems right away if I lost my job.	T/F

Chapter 13

Dealing with Debt

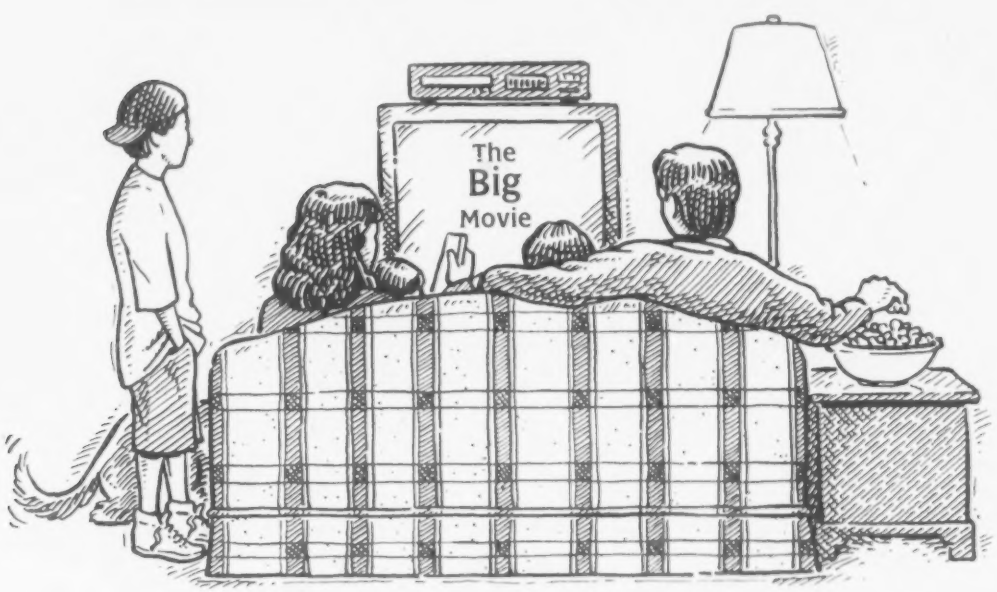
Suppose you can't pay all your bills. What can you do?

See Where You Stand

The first thing you need to do is take a close look at your spending plan. Chapters 2–4 give details on making a spending plan. Figure out your income and your expenses. Next, figure out how much you need to cut to get by.

Cut Expenses

You may be able to cut some expenses down to zero. For example, delay buying new clothes until your money problems are solved. Put off taking classes or joining clubs.



Here are some other suggestions for cutting expenses during a crisis:

- Stop eating out. It is almost always cheaper to eat at home. If you are going to be away from home all day, pack a lunch.

- Use the car only for necessary trips. That will cut down on how much gas you use. It will also decrease wear and tear on the car. If possible, walk, take a bus, or share rides.
- If you have a VCR, rent a video rather than going to a movie. Renting a video costs only a few dollars, no matter how many people watch it.
- Invest time rather than money. If you pay someone to shovel your walk or mow your lawn, do it yourself. Is someone in the family good at cutting hair? Maybe you can save the expense of haircuts.
- Agree that no big purchases will be made without discussing them first.

Groceries are one expense that can usually be cut down. Here are some tips.

- Make a shopping list and stick to it.
- Reduce the number of shopping trips you make each week. Try to get all of your groceries in one trip.
- Avoid expensive cuts of meat. Stick to less costly cuts. Make some meatless meals.
- Don't toss leftovers. Reheat them in a microwave.

See Chapter 5, page 27, for other smart shopping tips.

Contact Your Creditors

Suppose you've cut your spending as much as you can. What if you still can't pay all your bills? First, contact your creditors (the people or companies you owe money to).

Don't just stop paying your bills. Your creditors will assume you don't intend to pay. They may hire a collection agency to get the money from you.

Tell your creditors that you intend to pay your bills. Let them know you're having problems. They may be willing to work something out. Most creditors would rather get a small payment than nothing at all.

You and your creditors may be able to agree on one of these approaches:

- You make smaller payments for a short time. Then you start making regular payments again.
- You refinance the loan. That means you sign a new loan contract. You will make smaller payments over a longer period of time.

Refinancing reduces your monthly payments. But it may cost you more in the long run.

Consider a Consolidation Loan

Are you making payments on several loans or credit cards? You may want to consider a consolidation loan. With this type of loan, you take out one big loan to pay off all your smaller ones. Here are some of the pros and cons of consolidation loans.

Pros +	Cons −
• You have just one monthly bill to pay. • You may have lower monthly payments. • You have a longer time to pay off your debts.	• The interest rate could be high. • The loan will probably cost you more in the long run. • The lender may charge you a large fee if you pay off the loan early. • You may need to put up collateral (property that can back up the loan).

If you choose this option, you should stop using your credit cards. You may want to close those accounts. Otherwise, you could run up your debt again.

Get Credit Counseling

Maybe you've tried everything and still can't pay your bills. It may be time to speak to a credit counselor.

National Foundation for Consumer Credit member agencies, usually called Consumer Credit Counseling Service, provide credit counseling. It costs very little or nothing. To find the nearest office, call (800) 388-2227.

Other places to call include the Better Business Bureau or a credit union in your area. Before you agree to counseling, find out what the fee is.

A credit counselor can

- review your income, expenses, and debts
- help you set up a spending plan
- help arrange reduced payments for you
- help you plan for future expenses
- suggest options you hadn't thought of

Bankruptcy

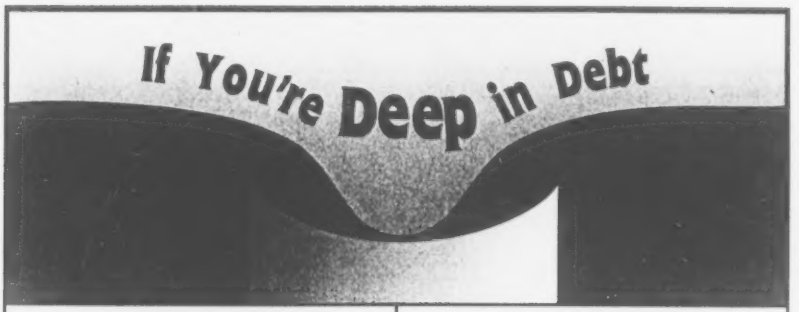
For serious money problems, bankruptcy may be the only solution. But it is a last resort.

Bankruptcy law is complex, and each person's money problems are different. This section gives some general information. But if

you're thinking about bankruptcy, you need more facts than this book can present. Your best bet is to talk with a lawyer. Try to find one who is an expert in bankruptcy law.

If you're deeply in debt, bankruptcy has some advantages. But it also has some serious drawbacks. The chart on page 81 sums up some of the important ones.

If you file for bankruptcy, it can affect your financial future for years. You may have trouble getting credit again. You could also have trouble getting a job or renting an apartment.



Advantages of Bankruptcy	Drawbacks of Bankruptcy
➡ It wipes out most of your debts.	➡ You have to go to a legal hearing.
➡ If you own your home, you may not lose it.	➡ You lose some privacy. In some cases, you lose control of your own money.
➡ Your creditors can't sue or harass you. (They may file objections to your bankruptcy, though.)	➡ It may damage your credit. (Bankruptcy can stay on your credit history for 10 years.)
➡ It gives you a chance to start again.	➡ You still must pay some debts.
	➡ Some people feel bankruptcy is shameful.

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Chapter 14

Insurance

When you buy insurance, you agree to pay a premium. This is a set amount that you pay regularly. The insurance company agrees to pay you benefits. An insurance contract spells out when you get benefits.

Experts suggest five kinds of insurance:

- health insurance
- homeowner's or renter's insurance
- car insurance
- life insurance
- disability insurance

Health Insurance

Health insurance helps pay for health care. Some kinds pay only if you're sick. Others pay for care to prevent illness, such as checkups.

Group policies have lower premiums than individual policies. Many people get group health insurance through their employer. You may also be able to buy group health insurance through other groups.

Some people buy individual policies on their own. This is costly, but experts say it's worth the money. Without insurance, a long illness or a hospital stay could cost everything you have.

Government programs provide some health insurance for certain groups. Medicare covers some care for people over 65. Medicaid covers care for people with low incomes. These programs don't cover everything, though.

Homeowner's Insurance

Homeowner's insurance helps fix damage to your house. It may also help pay if someone is hurt on your property and sues you. Many policies also cover the contents of your house. You get money to replace them if they are stolen or damaged. (*Note:* You may have to buy a separate policy to get this coverage.)

Experts say you should insure your house for at least 80 percent of the replacement value. The replacement value is what it would cost to rebuild the house, which may be more than you paid for it. You can also choose to insure a house for its full replacement value.

Many homeowner's policies have a high deductible—sometimes thousands of dollars. This is the amount of a loss that you would have to pay. The insurance would cover amounts over that.

You can also get homeowner's insurance for a condo or co-op apartment.

Renter's Insurance

If you rent, renter's insurance protects the contents of your home. It will pay if your possessions are stolen or destroyed.

Car Insurance

After a car accident, car insurance helps pay for the damage.

If you're found to be at fault, your insurance will pay any medical bills. It will also pay to fix any damage you caused. This is called liability coverage.

Car insurance can also pay you if your car is stolen, vandalized, or damaged by weather. This is called comprehensive coverage.

In many states, you must have car insurance. If you drive without it, you can lose your driver's license or vehicle registration.

Life Insurance

When you buy life insurance, you name one or more beneficiaries. The insurance company will pay these people when you die.

How much life insurance should you have? It depends on what you want it to do. Pay for your funeral? Pay off your mortgage? Send your kids to college? Support your family?

Your employer may offer life insurance. If not, or if you need more, you can buy your own.

Don't waste your money on life insurance for kids. Children don't need life insurance.

Disability Insurance

If you're sick or hurt and can't work for a long time, you lose income. Disability insurance can help pay your living expenses.

Check with your employer or human resources department. Find out what kind of disability coverage you can get.

Things to Consider

About Health Insurance

- How much are the premiums?
- Is there a deductible? A co-payment?
  How much will you pay when you go for treatment?
- What does the policy cover? Does it meet your needs?
  Does it include coverage you don't need?
- How do you make a claim? How easy or hard is it?
- Can you choose your own health care providers?

About Homeowner's or Renter's Insurance

- How much are the premiums?
- What is the deductible?
- What kind of damage does it cover?
  Is any damage not covered?
- How does it pay a claim? Do you have to fix the damage first?
  Or does it pay you first?
- How much will it pay for the contents of your home?
- Homeowner's: How much will it pay if your home is destroyed?

About Car Insurance

- How much are the premiums?
- What is the deductible?
- What kinds of losses does it cover?
  How much will it pay for each?

About Life Insurance

- How much are the premiums?
  Will they increase over time?
- How much will the insurance pay your survivors?
  Is that enough for their needs?
- How long will coverage last?
  For a certain number of years? For the rest of your life?

About Disability Insurance

- How much are the premiums?
- How long will coverage last?
- What disabilities qualify for benefits?
- How long must you be disabled before you get benefits?
- How much will the insurance pay if you're disabled?
- How long will the payments last?
- If you die while disabled, will your survivors get any benefits?

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Chapter 15

Investing

Investing means putting your money where you think it will earn more money. Experts say you should have a sound financial base before you start investing. A sound financial base includes

- three to six months' income in savings and/or CDs for emergencies
- life, health, and property insurance
- home ownership, if that is one of your goals

You might also want to have a retirement plan before you invest. Or that might be a goal of your investments.

Once you have a sound financial base, you can decide what to do with your remaining money.

This chapter covers some of the basics of investments. But investing is a complex process. Before you invest, you may want to get some advice. Some places to look for this are

- financial magazines and newspapers
- TV or radio shows on money management and investing
- stock brokers, insurance agents, and financial planners

Financial planners may charge a fee. Or they may get a commission on certain investments they sell. If they work for commissions, they may try harder to sell you those investments. If they work for a fee, they may present more options.

Types of Investments

With some investments, you loan your money. These investments include bonds and annuities. You hope to get a return for the use

of your money. In some cases, you are guaranteed a return.

With other investments, you buy something. You hope that the price will rise and you can sell it for a profit. These investments include real estate and stocks.

Investments range from very safe to very risky. If you put your money into a low-risk investment, there is very little chance you will lose it. But your profits will probably be lower. If you put your money into a high-risk investment, the chance of losing part or all of it is greater. But the chance of making a lot of money is greater, too.

Most people choose several different investments. They put some money in safer investments with lower returns. And they put some money in riskier investments with the chance of higher returns. This lets them keep some money safe and earn good profits, too.

The table on page 90 describes some common investments.

Saving for Education

Many people invest to save for education. They may invest long-term to send their kids to college. Or they may invest short-term to go back to school themselves.

Savings Bonds

- Issued by U.S. government
- Sold at most banks
- Don't require a lot of money
- No risk

Annuities

- Investor buys with lump sum payment.
- Annuity pays you regularly in the future.
- Most often pays off during retirement
- Often nontaxable until payments begin
- Low risk

Mutual Funds

- Fund is group of stocks, bonds, and other investments managed by investment experts.
- Each investor buys shares in the fund.
- Fund regularly pays profits to investors.
- Investors can sell shares to make a profit, but may lose money if value has decreased.
- Levels of risk and return vary.

Bonds

- Investor loans money to government or corporation that issues the bond.
- Bonds take 5 to 20 years to mature.
- Low to moderate risk

Stocks

- Investor buys shares of ownership in corporation.
- Stocks rise in value when corporation does well. Stocks may decrease in value.
- Success requires knowledge of the stock market.
- Risk varies.

Real Estate

- Investor may make money by buying property and renting it out.
- Investor may make money by buying property and selling it for a profit.
- Moderate to high risk

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Many people use these investments to save for school:

- CDs
- U.S. savings bonds
- mutual funds
- bonds

Suppose you decide to use investments to pay school costs. Experts say these ideas will help:

- Start early (if investing long-term).
- Add regularly (if investing long-term).
- Time your investments. Make sure they will pay off when you need the money.
- Think carefully about risk. More risk may mean more profits. But it could also mean losing your money.

The closer you are to needing the money, the safer your investments should be.

- Consider income tax. Tax-free investments may leave you more money to spend. But they may also earn less than taxable investments. Profits from some municipal bonds are tax-free. Interest on U.S. savings bonds is tax-free if used to pay for school. (You must meet income requirements.)

Saving for Retirement

You can put your retirement savings in any kind of investment. But several plans are designed specifically for retirement savings.

Some retirement investments are safer than others. Think carefully about how to invest your money. Should you keep it where you know it will be safe? Or can you take a risk for higher earnings? Do you want a number of investments with different levels of risk?

The best answers to these questions are not simple to find. They can depend on

- how close you are to retirement
- how much money you make
- how much money you'll need
- what other expenses you have
- how much you've saved already
- your feelings about different investments
- your comfort with different levels of risk

An expert can help you pick the best approach for you.

Retirement Plans

- In some retirement plans, your employer makes contributions in your name. In others, you contribute to a company plan.
- The plan invests the money.
- When you retire, the plan pays you. You may get regular payments over time. Or you may get one lump sum payment.

IRAs (Individual Retirement Accounts)

- IRAs are special accounts with banks, brokerages, or mutual funds. They're designed to help you save for retirement.
- You can save a percentage of your income.
- You don't have to pay taxes on the interest until you retire.
- If you withdraw money before you're 59 1/2, you have to pay a penalty.
- You can choose where your money is invested.

401(k) or 403(b) Plans

- These plans are special accounts set up by your company.
- You can put a percentage of your income in the account. Your company will often match your contribution.
- You can have your contribution taken right out of your paycheck.
- You don't have to pay taxes on the contributions or the interest until you begin withdrawing money.
- The plan usually offers several investment options with varying levels of risk. You can choose which ones to put your money in.
- If you withdraw money before retirement, you may have to pay a penalty.

Social Security

- While you're working, the government withholds Social Security tax from your paycheck. Your employer also makes a contribution for you.
- You can collect full benefits when you turn 65. (The age will increase to 66 in 2009 and 67 in 2027.)
- You can collect partial benefits if you retire at 62.
- If you're divorced, you may be able to collect on your ex-spouse's Social Security. You must have been married for 10 years.
- Experts say that Social Security should be only part of your retirement planning. By themselves, Social Security benefits won't allow you to live comfortably.
- When you die, your spouse can continue to collect benefits.

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Chapter 16

For More Information

Consumer Contacts

The U.S. Office of Consumer Affairs publishes a list of consumer contacts in government, businesses, and nonprofits. It is called the *Consumer's Resource Handbook*. To get a free copy or for other help, call

National Consumer Helpline
(800) 664-4435

Credit Counseling

National Foundation for Consumer Credit, Inc.
(800) 388-2227
Call this number to find the office nearest you.

Social Security

Social Security Administration
(800) 772-1213

Insurance

National Insurance Consumer Helpline
(800) 942-4242

Federal Income Tax

Internal Revenue Service Assistance Line
(800) 829-1040

Credit Reports

To check your credit report, send your request to three credit reporting agencies: Experian, Trans Union, and Equifax.

Experian
Experian Consumer Assistance Center
Attn: NCAC
PO Box 2104
Allen, TX 75013
(800) 682-7654 (information line, to get information on credit reporting)

Trans Union

Trans Union
760 West Sproul Road
Springfield, PA 19064-0390
(610) 690-4909 (information line)

Equifax

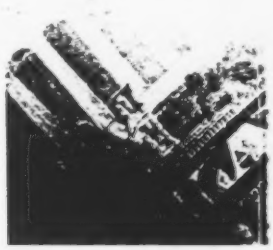
CSC Credit Services or CBI Credit Services
Customer Assistance Center
PO Box 105873
Atlanta, GA 30348
(800) 685-1111 (information line in English and Spanish)

A Quick and Easy Guide

- Are you always working but never getting ahead?
- Are your debts growing beyond your control?
- Do you know how to make a spending plan?
- Do you have a plan for your financial future?

Control Your Money will put you in charge of your financial destiny! This quick and easy guide teaches you all about money management. It will help you as you try to live within your limits and decide important questions, such as what kinds of insurance you really need. It's time to get your money under control and get on with enjoying your life.

Control Your Money



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Workbook

Control Your Money

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ACTIVITY 1 Use with page 7.

Are You in Control?

Take this quiz to find out how well you control your money. Your answers may help you decide to make some changes.

Yes	No	Sometimes	NA	
_____	_____	_____	_____	**1.** Are you responsible for paying bills (your own or someone else's)?
_____	_____	_____	_____	**2.** Do you have a steady income?
_____	_____	_____	_____	**3.** Do you often have unexpected expenses or bills?
_____	_____	_____	_____	**4.** Can you usually predict approximately how much each of your monthly bills will be?
_____	_____	_____	_____	**5.** Do you keep a file or record of pay stubs, bank statements, receipts, ATM transactions, etc.?
_____	_____	_____	_____	**6.** Do you try to keep a weekly or monthly spending plan?
_____	_____	_____	_____	**7.** Do you know when yearly or semiyearly bills need to be paid and how much they will be?
_____	_____	_____	_____	**8.** Do you shop around for sales and good buys?
_____	_____	_____	_____	**9.** Do you balance your checking account each month?
_____	_____	_____	_____	**10.** Do you usually pay the full balance on your credit card?
_____	_____	_____	_____	**11.** Do you know without looking approximately how much cash you are carrying?
_____	_____	_____	_____	**12.** Do you save money regularly?
_____	_____	_____	_____	**13.** Do you have any unpaid debts (credit card bills, other bills, loans, etc.)?
_____	_____	_____	_____	**14.** Do you have any insurance policies?

ACTIVITY 2 Use with pages 8–9.

Short- and Long-Term Goals

Fill in the charts to help plan for meeting your short- and long-term spending goals. If you are not sure how much money you need for a goal, put down your best guess. Divide the amount you need by the number of months before you need the money. This will show how much you need to save each month to meet that goal.

Short-Term Goals (within one year) Examples: • *take a vacation* • *pay off credit cards* • *buy a TV* • *buy new shoes for the children*	**Amount Needed**	**Months before Needed**	**Monthly Savings Needed**

Long-Term Goals Examples: • *buy a new car* • *pay for children's education* • *pay for retirement*	**Amount Needed**	**Months before Needed**	**Monthly Savings Needed**

5

ACTIVITY 3 Use with pages 12–20.

Income and Expenses

Fill in the charts. Record monthly income and expenses for your household. Use this information to prepare your spending plan.

Remember! For yearly items, divide by 12 to get a monthly figure. For periodic or variable items, follow the guidelines in *Control Your Money*, pages 13, 17, and 20.

Income	**Yearly Total**	**Monthly Total**
Salary/wages (take-home pay)		
Wages from part-time or seasonal jobs		
Income from self-employment		
Other:		
Total Income		

Fixed Expenses	**Total for Year** (or other period)	**Monthly Total**
Housing (mortgage or rent)		
Utilities on budget plan		
Taxes (property, etc.)		
Insurance (health, life, home, car, etc.)		
Obligations (child support, car loan, etc.)		
Savings (for emergencies, goals, retirement, etc.)		
Childcare		
Education (tuition, room and board, etc.)		
Other:		
Total Fixed Expenses		

Variable Expenses	Monthly Total
Food (groceries, eating out)	
Utilities (not on budget plan)	
Car expenses (gas, repair, etc.)	
Transportation other than car	
Medical and dental care or drugs (not covered by insurance)	
Home furnishing and supplies	
Home upkeep and repair	
Clothing (including cleaning and laundry)	
Personal expenses (haircuts, pet expenses, etc.)	
Gifts and contributions (religious institution, charity, etc.)	
Vacations	
Entertainment (movies, sports, newspapers, magazines, etc.)	
Babysitting	
Other:	
Total Variable Expenses	

Calculate your total monthly expenses.

Total Fixed Expenses _____

+ Total Variable Expenses + _____

= Total Monthly Expenses = _____

Now check how close your income and expenses are.

Total Monthly Income _____

– Total Monthly Expenses – _____

= Total Monthly Balance = _____

ACTIVITY 4 Use with pages 27–30.

Ways to Cut Expenses

Create a personal plan for cutting expenses. In each category, list things you can do to reduce your monthly expenses. Put a check next to things you do already.

Food
(Examples: take a bag lunch to work; buy store-brand groceries)

_____

_____

_____

Utilities
(Examples: turn thermostat down at night and while at work; make long-distance calls when the rates are lower)

_____

_____

_____

Transportation/Car
(Examples: walk whenever possible; learn to do basic car repairs)

_____

_____

_____

Clothing
(Example: wait for seasonal sales)

_____

_____

_____

House Furnishings and Maintenance
(Examples: learn to do basic home repairs, plumbing, etc.; refinish furniture instead of replacing it)

_____

_____

_____

Recreation
(Examples: rent videos instead of going to the movies; go to a community-run exercise program instead of a health club)

_____

_____

_____

Personal Expenses
(Examples: get a haircut at a local hairdressing school; give homemade gifts; look for future gifts when items are on sale)

_____

_____

_____

Other Ideas
(Examples: get books from the library instead of buying them; exchange favors—babysitting, repairs, etc.—with friends or relatives; buy children's toys at garage sales, secondhand stores, and flea markets)

_____

_____

_____

_____

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ACTIVITY 5 Use with pages 33–47.

Banking Basics

Match each banking term with its definition.

____ 1. canceled check
____ 2. PIN
____ 3. stop payment order
____ 4. automatic withdrawal
____ 5. account balance
____ 6. overdraft protection
____ 7. direct deposit
____ 8. service fee
____ 9. minimum balance
____ 10. interest

a. the amount of money you have in a bank account

b. the amount of money you must have in an account to get a service such as no-fee checking

c. the amount you pay (per check or per month) to have a checking account

d. a check that has been cashed

e. a loan from the bank to cover your checks if you don't have enough money in your account

f. an amount the bank pays you; a percent of the total amount in your account

g. a secret number that identifies you at an ATM

h. money that is taken out of your account without your doing anything; for example, for a loan or a utility payment

i. your command to the bank not to cash a check that you wrote

j. a service that puts money (for example, from an employer or Social Security) into your account automatically

ACTIVITY 6 Use with pages 36–42.

The Real Cost of Checking

Compare the costs of checking accounts at different banks. Fill in the information for two different banks. If you have a checking account, fill in the information for your bank and one other. Use this information to find a good deal on checking.

Fees and Benefits	Bank 1	Bank 2
1. Monthly maintenance fee		
2. 2a. Fee for each check written		
2b. Number of checks I write each month: ____		
Monthly check-writing cost (2a × 2b)		
3. Bounced check fee		
4. 4a. Fee for using the bank's ATM		
4b. Fee for using other ATMs		
4c. Number of times I use an ATM each month: ____		
Estimated monthly ATM costs (based on 4a, 4b, and 4c)		
5. 5a. Fee for using teller service		
5b. Number of times I use teller service each month: ____		
Monthly cost of teller service (5a × 5b)		
6. Minimum balance for free checking		
7. Free checking with direct deposit?	❑ yes ❑ no	❑ yes ❑ no
8. Interest bank will pay on account balance		
9. Overdraft protection?	❑ yes ❑ no	❑ yes ❑ no
10. Interest I will pay on overdrafts		
11. Other fees: _____		
_____		
12. Other benefits: _____		
_____		

ACTIVITY 7 Use with pages 52–54.

Cash or Charge?

What are your views on using cash or credit cards? Take this quiz.

1. How do you usually pay for things? Check all that apply.

   _____ Cash _____ Check _____ Money order

   _____ Credit card _____ Charge card _____ Debit card

   _____ Other _____

2. Do you use one method more often than others? _____ Yes _____ No

   Which one? _____ Why? _____

   _____

3. What kind of credit or charge cards do you have? Check all that apply.

   _____ Bank card(s) _____ Store card(s) _____ Other _____

4. Are credit or charge cards a good idea for you? _____ Yes _____ No

   Why or why not? _____

   _____

5. What's the best thing about having a credit or charge card? _____

   _____

6. What's the worst thing about having a credit or charge card? _____

   _____

7. What problems could you have if you don't have a credit or charge card? _____

   _____

8. What are some reasons to use cash instead of a credit or charge card? _____

   _____

ACTIVITY 8 Use with pages 63–65.

Know Your Credit Card

Match each credit term with its definition. Then fill in the information about the terms of your credit card.

_____ **1.** grace period

_____ **2.** minimum payment

_____ **3.** APR

_____ **4.** balance

_____ **5.** annual fee

_____ **6.** transaction fee

_____ **7.** interest

_____ **8.** credit limit

a. the amount you pay each year for the right to use a credit card

b. the maximum amount you can charge in a billing period

c. the time between the date of a bill and the time you start paying interest on what you owe

d. the extra amount you pay if you pay in installments

e. the smallest part of your bill that you have to pay each month

f. the interest rate calculated for a full year

g. the amount you owe on your bill at a given time

h. the extra amount you pay when you use your card to get cash

Fill in the information for *your* credit card.

annual fee: _____

transaction fee: _____

credit limit: _____

APR: _____

minimum payment: _____

ACTIVITY 9 Use with pages 71–73.

What Do You Owe?

Complete this inventory of how much money you owe—your debts. Then answer the questions. This information can help you decide if you have too much debt.

Type of Debt	Amount Owed
Credit card balances	
Other unpaid bills (for example, charge card bills)	
Home mortgage	
Car loan	
Installment purchase payments	
Bank loan or overdraft protection loan	
Other loans (for example, education loan, loan from friend or relative)	
Other debt	

- How much of your debt is long-term or for items of long-term value (for example, house, car, education)?

_____

- How much of your debt is short-term or for day-to-day living expenses (for example, credit or charge cards, monthly bills, vacation)?

_____

- How long will it take you to pay off each debt?

_____

- To how many places or people do you owe money?

_____

ACTIVITY 10 Use with pages 82–86.

Understand Your Insurance

Match each insurance term with its definition. Then answer the questions about your insurance policies.

____ **1.** premium

____ **2.** group policy

____ **3.** benefits

____ **4.** replacement value

____ **5.** disability

____ **6.** liability coverage

____ **7.** deductible

____ **8.** beneficiary

____ **9.** comprehensive coverage

____ **10.** co-payment

a. the amount of a loss you pay before your insurance pays anything

b. the amount you pay each year for an insurance policy

c. the person paid by your life insurance when you die

d. insurance that pays if your car is damaged by weather or stolen

e. a policy you get through your job or an organization

f. the amount an insurance policy pays

g. a physical or mental condition that prevents you from working

h. the amount you pay when you get medical care or drugs

i. insurance that pays if you are at fault in a car accident

j. the amount of money needed to replace a home

- What insurance policies do you have?

_____

- If you have health, homeowner's or renter's, or car insurance, what is the deductible for each policy?

_____

- If you have life insurance, who is the beneficiary?

_____

ACTIVITY 11 Use after completing *Control Your Money.*

I *Will* Control My Money

Now that you have read *Control Your Money*, list 10 changes you want to make in the way you control your money.

Examples:

- *My family and I will write down everything we spend for the next four weeks. We will use the results in making a household spending plan.*
- *I will keep a file of all my deposit and withdrawal slips and ATM receipts. I will check them against my monthly bank statement.*
- *I will use only one credit card. I will close out my other credit card accounts.*